LEASES

Please also read the lease obligation policy at
http://www.osc.nc.gov/sigdocs/sig_docs/documentation/policies_procedures/sig Lease_Obligations.html

Operating Leases Entries - Governmental and Proprietary funds

1) Debit   Rent Expense   5325AA
   Credit   Cash (Accounts Payable)
   (To record the operating lease monthly/yearly amount)

Capital Leases Entries -Governmental Funds

Cash basis entries

1) Debit   Principal   535313
   Debit   Interest   535323
   Credit   Cash   11XXXX
   (To record the payment for the month/year)

Thirteenth Period entries

2) Entry at the inception of lease- one time entry in the 1st year

Debit   Equipment   53XXXX
Credit   Proceeds from capital lease   437213
(To record execution of capital lease agreement)

3) Entry at the inception of lease- one time entry in the 1st year

Debit   Asset   127XXX
Credit   Investment in capital assets   34XXXX
(To record the investment of capital asset)

4) Entry for the 1st year:
   Debit   Amount to be provided   128100
   Credit   Capital Lease Payable   224100
        (Entry to record the capital lease payable)

5) For subsequent years:
   Debit   Capital leases payable   224100

Credit   Amount to be provided   128100
(To close the principal into the capital leases payable)

Note: The amount of deduction reported on CAFR worksheet 305 should agree to the amount recorded above. It should also be the amount of principal recorded on the 52G in account 535313.

Any additional leases repeat the entries.

Capital Leases Entries -Proprietary Funds

Cash basis entries

1) Debit   Principal   535313
   Debit   Interest   535323
   Credit   Cash   11XXXX
   (To record the payment for the month/year)

Thirteenth Period entries

1) Entry at the inception of lease- one time entry in the 1st year

   Debit   Asset   127XXX
   Credit   Capital leases payable-current   214100
   Credit   Capital leases payable-non-current   224100
   (To record execution of capital lease agreement)

2) Debit Capital leases payable   214100/224100
   Credit Principal   535313
   (To close the principal into the capital leases payable and appropriately record the current and noncurrent portion)

   Note: The amount of deduction reported on CAFR worksheet 310 should agree to the amount recorded above.

3) Debit   Depreciation   535430
   Credit   Accumulated depreciation – fixed assets   1279XX
   (To record depreciation expense for leased asset)

   Any additional leases repeat the entries.